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**CITY OF DELTONA, FLORIDA
FIREFIGHTER'S PENSION BOARD OF TRUSTEES MEETING
TUESDAY, April 21, 2009**

14 A Regular Meeting of the Firefighter's Pension Board of Trustees was held on Tuesday, April 21, 2009 in
15 the City of Deltona's 2nd Floor Conference Room at 2345 Providence Blvd., Deltona, Florida.

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1. CALL TO ORDER:

22 The meeting was called to order at 3:00 p.m. by Chairman Chris Nabicht.

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2. ROLL CALL/ELECTION OF OFFICERS:

30 Chairman	Chris Nabicht	Present
31 Secretary	Earl "Mac" Deyette	Present
32 Board Member	John D. Adams	Absent (excused)
33 Board Member	James Koczan	Present (arrived 3:05 P.M.)
34 Board Member	Kurt Vroman	Present
35 Plan Administrator	Lisa Spriggs	Present
36 Employee Benefits Specialist	Gene Gizzi	Present

37 Also present: Plan Attorney Lee Dehner, Plan Consultant Dave West, The Bogdahn Group, Actuary
38 Bradley Heinrichs, Foster & Foster, City Manager Faith Miller, Finance Director Bob Clinger and HR
39 Director Tom Acquaro.

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3. APPROVAL OF MINUTES & AGENDA:

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A. Adoption of the Minutes:

50 The Chairman asked if there were any corrections to the minutes from the February 17, 2009 meeting.

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Motion was made by Mr. Vroman, seconded by Mr. Deyette to approve the minutes from the February 17, 2009 meeting as submitted. Motion carried with members voting unanimously.

B. Additions or Deletions to the Agenda:

The Chairman asked if there were any Additions or Deletions to the agenda and there were none.

Motion was made by Mr. Deyette, seconded by Mr. Vroman to approve the agenda as published. Motion carried with members voting unanimously.

4. PRESENTATIONS: None

5. MEMBER COMMENTS: None

6. APPROVAL OF EXPENDITURES:

A. Bogdahn Group:

Statement from Bogdahn Group was submitted for quarter ending March 31, 2009 in the amount of \$2,625.00 for professional services.

Motion was made by Mr. Vroman, seconded by Mr. Deyette to approve Invoice #3842 in the amount of \$2,625.00 as submitted for payment. There was no discussion. Motion carried with members voting unanimously.

B. Lisa H. Spriggs:

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2 Statement from Lisa H. Spriggs was submitted for the quarter ending March 31, 2009 in the amount of
3 \$4,557.95 which included \$4,500.00 for professional services and \$57.95 for expense reimbursement for
4 purchase of honorary service award for Chris Sievert presented at the January 20, 2009 meeting.
5

6 **Motion was made by Mr. Koczan, seconded by Mr. Deyette to approve the statement in the amount**
7 **of \$4,557.95 as submitted for payment. There was no discussion. Motion carried with members**
8 **voting unanimously.**
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10 **C. Christiansen & Dehner, P.A.:**
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12 Statement from Christiansen & Dehner was submitted for February 2009 in the amount of \$6.01 for
13 professional services.
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15 **Motion was made by Mr. Koczan, seconded by Mr. Vroman to approve the statement in the**
16 **amount of \$6.01 as submitted for payment. There was no discussion. Motion carried with**
17 **members voting unanimously.**
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19 Statement from Christiansen & Dehner was submitted for March 2009 in the amount of \$29.00 for
20 professional services.
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22 **Motion was made by Mr. Koczan, seconded by Mr. Vroman to approve the statement in the**
23 **amount of \$29.00 as submitted for payment. There was no discussion. Motion carried with**
24 **members voting unanimously.**
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26 Statement from Christiansen & Dehner was submitted for April 2009 in the amount of \$791.01 for a
27 disability review.
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29 **Motion was made by Mr. Koczan, seconded by Mr. Deyette to approve the statement in the amount**
30 **of \$791.01 as submitted for payment. There was no discussion. Motion carried with members**
31 **voting unanimously.**
32

33 **D. Other:**
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35 Statement from Actuarial Concepts was submitted dated February 20, 2009 in the amount of \$4,390.00 for
36 professional services. Mr. Vroman stated he just wanted to make sure the Board approved these services. Mr.
37 Dehner stated the services were pursuant to the terms of the prior contract.
38

39 **Motion was made by Mr. Koczan, seconded by Mr. Deyette to approve the statement in the amount**
40 **of \$4,390.00 as submitted for payment. Motion carried with members voting unanimously.**
41

42 Statement from Actuarial Concepts was submitted dated March 20, 2009 in the amount of \$5,025.00 for
43 professional services.
44

45 **Motion was made by Mr. Koczan, seconded by Mr. Deyette to approve the statement in the amount**
46 **of \$5,025.00 as submitted for payment. Motion carried with members voting unanimously.**
47

48 **7. OLD BUSINESS:**
49

50 **A. Ordinance for Proposed Plan Revisions:**
51

52 Ms. Spriggs stated she had basically placed this item on the agenda for discussion because there was no
53 activity moving forward with the City and she wanted further direction from the Board regarding this
54 issue. She stated she was told that the City was not moving forward with this due to budget restraints and

1 the City's belief there was an implicit cost in doing the proposed plan revisions. Mr. Vroman asked if this
2 was something that the Board needs to get further input on seeing that the City Manager, the Finance
3 Director and the HR Director are present. The Chairman stated let the record show City Manager Faith
4 Miller, the new Actuary Bradley Heinrichs, H.R. Director Tom Acquaro and Finance Director Bob
5 Clinger are in attendance. He stated he wasn't sure if we can answer any questions at this point but we
6 have an actuarial study that says it is not going to impact the City and we have monies available through
7 the State Insurance Premium Tax Fund that are not being utilized. He stated he attended a seminar as did
8 Mr. Koczan and Mr. Gizzi in Orlando put on by the State where the State basically told them they have
9 the responsibility to use those dollars. He stated that was what the Board was trying to do by moving
10 forward with the proposed enhanced benefit plan in accordance with the intent of those dollars and we are
11 at an impasse. He asked Mr. Dehner where we go from here. Mr. Dehner stated when we get to a point
12 where the excess state money will fund the benefit that the majority of the members want to have, the
13 union signs off on and it is not implemented within a reasonable period of time the State will notify the
14 City that the monies will subject to be withheld. The Chairman stated we did the analysis, the union has
15 come to the Board and expressed they want to move forward, the ordinance has been drafted and now it is
16 in the City's hands. Mr. Clinger asked if the Board had considered a shared plan option. Mr. Dehner
17 stated the plan had not reached the level that a shared plan would benefit the members. He stated that at
18 some point the State will require that something be implemented whether it is a shared plan or defined
19 benefit enhancements. Mr. Clinger stated that it was his understanding there was no actuarial risk
20 associated with a shared plan. Mr. Dehner stated by statute it is determined by majority membership vote
21 as to whether excess state money will be segregated into the plan. The Chairman stated that has taken
22 place and the Union and the Board have said they are in favor of the DROP Plan and the prior actuary had
23 stated these options would not increase the cost to the City. He asked Mr. Heinrichs to explain.

24
25 Mr. Heinrichs stated he had received a copy of the actuarial impact statement done by Mr. Tierney and
26 there were two components that were studied. He stated the partial lump sum option was the first one
27 which would allow a member to get a piece of their accrued benefit up front in exchange for a smaller
28 benefit going forward. He stated he would like to address a couple of these issues; the actuary essentially
29 said in reference to the proposed ordinance there would be no actual impact on plan liabilities therefore
30 no impact on future contributions if the ordinance is adopted. He stated the lump sum option is where the
31 actuary takes a monthly amount and turns it into a lump sum by looking at a roadmap as to how to do that
32 calculation; this roadmap exists in the plan document. He stated that document contains the interest rate to
33 be used and the mortality table to determine what that present value is; in that document the rate is 8%
34 and the mortality table is the 1983 Group Annuity Table. He stated the actuary develops the funding
35 requirements to the plan using an 8% plus the RP 2000 Mortality Table which is different and if you were
36 to guess which table assumes people will live longer, it would be the 2000 table; then assuming people
37 will live longer and I am going to turn an annuity into a lump sum under the RP 2000 Table the present
38 value is bigger than under the 1983 table, so by introducing the partial lump sum option in accordance
39 with the way the plan document is written it would actually be a benefit to the plan every time a member
40 takes it because the lump sum they get will be less than the present value present calculated in the
41 evaluation creating a small gain instead of a cost. He stated with regards to the DROP Plan being
42 extended from three years to eight years; the implications of this from the plan's point of view are there
43 would not be any explicit associated cost to the City but the existence of the eight year DROP option
44 could have some influences on participant behavior in that a participant who is interested in another
45 participant's job, that participant goes into DROP and stays for eight years, the participant waiting for that
46 job may get frustrated and want to take a similar position at a different department. He stated that would
47 be good for the pension plan because turnover in a pension plan is good but from a HR standpoint
48 turnover has associated costs. He stated the long DROP can hinder upward mobility of the membership.
49 The Chairman asked Mr. Heinrichs what the average amount of years DROP he had seen in other plans.
50 Mr. Heinrichs stated that five was average and normally the longer the DROP period the lower the salary
51 increases for the remaining members; that also helps the program but it is not so good for HR. He stated

1 when more and more people are in DROP the rate for the City is higher but the dollars themselves of the
2 overall payroll department are less. He stated from a pension plan standpoint he would concur with the
3 prior actuary that there would not be an immediate increase in the contribution requirements associated
4 with these two benefits and in fact from a long term standpoint it actually may decrease costs as the plan
5 moves along. The Chairman summarized that the proposed DROP ordinance as it is written would tend to
6 save the City money and help the plan stay solvent. Mr. Heinrichs reiterated that the combination of the
7 two benefit enhancements will not increase the costs to the City at all. Mr. Dehner said with respect to the
8 use of the excess State money if there is a plan amendment which the actuary says would not require
9 additional funding then the money stays available for other benefits. Mr. Heinrichs stated there would not
10 be any need to use the State money for this ordinance. Mr. Clinger asked how long Mr. Heinrichs would
11 guarantee there would be no increase and is there cost associated with paying out a guaranteed rate of
12 return. Mr. Heinrichs stated in answer to your second question, in the short term it is possible to have
13 some increased cost. Mr. Clinger stated he still had some concerns with the next two budget cycles. Mr.
14 Heinrichs explained what is being referred to is the interest on the participants check being plus or minus
15 what is being guaranteed so, that gain or minus is very minor and whatever that gain or loss the City gets
16 to create a fifteen year mortgage of the gain or the loss whichever it may be. He suggested the mortgage
17 could be increased up to thirty years from the fifteen years currently used in the study and in that case if
18 the city were to increase the amortization to the thirty years allowed by law the City's requirement would
19 drop. The Chairman stated that it is in the best interest of the plan and its membership to implement the
20 improvements; that is the Board's position to maintain the dollars in a beneficial way and use those
21 dollars to benefit the members. He stated there are a significant number of members who are in the DROP
22 window and will be having to make lifelong financial decisions based on the way the plan is structured
23 today and they may or may not make a good decision. Mr. Vroman asked if when a member enters the
24 DROP the City and the member stop contributing to the plan. Mr. Dehner stated the member contribution
25 ceases and the benefit is calculated at that time as if the member was retiring and terminating
26 employment; the City would still be funding as they would even if the member terminated for future
27 payment of the benefits that had accrued to that date, there would not be any additional City funding for
28 future accruals. Mr. Clinger stated that he still had concerns. Mr. Vroman asked what amount the City is
29 contributing for FRS. Mr. Clinger answered 20.92% this year and next year will be 24.08%. Mr.
30 Heinrichs stated that the FRS members don't contribute so the City comes up with 20.92% and in this
31 plan the members do contribute 8% and the City contributes 16% so the point if you compare City costs
32 for FRS and City costs for this plan, the costs are less for this plan. Mr. Dehner pointed out that the plan's
33 current percentage is based on the October 1, 2008 evaluation report and the current FRS % is based on
34 the July 1, 2008 report and they are about ready to do another one so their current % did not take into
35 account most of the adverse investment experience as the plan does. Mr. Heinrichs stated the reason the
36 FRS rate is not going to go up much for the next year is because it is based on the 07/01/08 valuation
37 which happened before the market took a real downturn so, the 07/01/08 valuation sets forth a
38 contribution requirement starting 07/01/09 to 06/30/10 and in that case it won't be until 2011 that the
39 down investment market for FRS rears its ugly head. He stated it is just timing.

40
41 The Chairman asked Mr. West to speak of the smoothing method the plan is moving to. Mr. West
42 referenced the Bogdahn Report which shows the fiscal year end 2007 the plan earned 12.74% for the
43 year, 2006 the plan earned 8.99%, 2005 it earned 12.6% and 2004 it earned 11.75% and essentially you
44 have to go back to 2003 where the plan was not accumulating excess investment returns relative to the
45 required rate of return in the amount of 6.5% or 1.5% below the required rate of return. He stated the
46 earnings on earnings benefited the program and it wasn't until this year the plan began to have issues. He
47 stated also the previous actuary used the mark to market basis so that excess return was going to reduce
48 the City's contribution and now this year recognizing there are going to be significant losses the decision
49 was made to move to a smoothing method which will allow the program to realize 1/5th of that actuarial
50 loss every single year to try and mitigate the impact of the investment loss on the City's contribution part.

1 The Chairman asked Mr. Heinrichs to speak about the shared plan. Mr. Heinrichs stated the shared plan
2 works by taking the excess State monies over the amount of the money that the City can use to offset the
3 contribution requirement. He stated in this plan the long service members get a higher share and the short
4 service members get a smaller share. He stated the shared plans seemed to be good from a city standpoint
5 because there is little risk but from the members standpoint not so good as a member would not receive as
6 good a pension, for example an assistant chief that was recently hired would receive the same benefit as a
7 twenty-two year old who had just got hired making it difficult to attract new members. He stated also with
8 the shared plan you usually don't have plan improvements.

9
10 The Chairman stated that he did not feel the two sides were getting any closer and asked the Board's
11 wishes. Mr. Koczan stated that in the last meetings minutes there was discussion on who actually presents
12 an ordinance to the Commission, was it something the City Manager does or a member of the FFP Board
13 because at this time it appears that the FFP Board's request has stopped at the staff level. He asked if this
14 is the process or does the staff have to send this to the Commission, educate them and allow them to vote
15 on it. Mr. Dehner stated either way but most prevalent the Pension Board Attorney or Actuary would
16 present it on behalf of the Board. He stated what they always try to accomplish is when there is a proposal
17 by the Board is to meet with City administration as they are going to have to be familiar because they are
18 going to have to formulate a recommendation for the Commission, hopefully favorable. Ms. Miller stated
19 that she did not know that the Board had ever gone directly to the Commission. Mr. Dehner asked Ms.
20 Miller what the process was for having an item placed on the agenda for first reading. Ms. Miller stated
21 the City Manager is the one who sets the agenda and she stated she would like to confer with staff as the
22 City still has some funding concerns. Mr. Dehner asked, procedurally the Board would request Ms. Miller
23 as the City Manager to schedule for first reading, Ms. Miller would discuss it with staff, the Board and
24 Board Representatives and then ultimately the item would go before the Commission with a
25 recommendation from staff if there was one. The Chairman stated the item had been forwarded to the
26 Manager and staff has been looking at it and working the numbers. Ms. Miller stated she wanted to attend
27 this meeting to learn more about the Board. The Chairman asked if all the answers she had were answered
28 or was more time needed with Mr. Dehner, Ms. Spriggs or the actuary. Ms. Miller asked Mr. Clinger if
29 his issues with the DROP were answered and he answered that his issues had not changed. Mr. Clinger
30 stated the bottom line is these issues may be ok in outer years when we can afford it but not now. The
31 Chairman stated with no DROP in place it could potentially cost more money and what he is hearing from
32 the actuary is it may save money. Mr. Clinger stated he felt that was speculation. The Chairman stated if
33 we are at a stalemate between the Finance Director and the Board's financial professionals then he would
34 respectfully request the Board put the information forward in a Commission forum, let both sides air their
35 positions and let the Commission decide.

36
37 Mr. Gizzi stated the one factor that is a potential concern for the immediate funding concerns seems to be
38 the spread of 6.5% where in five of the last six years previous years it would not have been an issue but
39 this year it is. He asked Mr. Dehner what most plans are doing as far as guaranteeing the DROP. Mr.
40 Dehner stated 6.5% is most prevalent. Mr. Gizzi asked if any of the municipalities use a format where
41 they contribute to a separate IRA account where the participant takes their own risk. Mr. Dehner said it
42 was legal but very few do it. Mr. Clinger stated there are now two causes for concern; the difference in
43 the rate and the additional five years on the DROP. Mr. Vroman stated employee X is going to work here
44 thirty years whether he does thirty years in the pension or twenty-two years in the pension and eight years
45 in the DROP. He stated most people base how long they will stay depending what is going on in their
46 lives. Mr. Koczan stated that his fear is that if we fail to take action now based on short term we also put
47 any future funding from the State at risk. Mr. Dehner stated based on the fact the actuary has said the
48 DROP Plan and the share plan do not have any funding consequence; the excess State monies are not
49 impacted one way or the other. He stated under the statute as amended in 1999, the majority of the
50 members want a benefit that the excess accumulated monies can pay for or you would get to a point
51 where the Division of Retirement would say they are going to withhold the plan's money. He stated also

1 some plans do have the shared plan but they have higher levels of defined benefits and benefits in the
2 defined benefit plan before they move into the shared plan. Mr. Koczan asked if the Board needed to
3 direct Ms. Spriggs to communicate with the City Manager and staff in the near term or do we need to
4 come back at the next meeting. Ms. Miller stated she felt her staff could communicate with Ms. Spriggs
5 but her main concern was how tight this next budget may be and any impact to it. She asked how soon the
6 State insurance money would be at risk. Mr. Dehner stated when there is an impasse regarding the use of
7 state money, the Division would be notified, the division would write a letter essentially stating what
8 could occur if the impasse is not resolved; to his knowledge actual monies being withheld has not yet
9 occurred but that is because typically things get worked out with the process taking a period of a year or
10 two. Mr. Clinger asked if the plan was allowed to be moved to the shared plan for a couple of years and
11 then go back to the defined benefit plan. Mr. Dehner stated this had not been done in the past but this is
12 something that could change depending upon the Division of retirement. He stated as a matter of plan
13 design it makes more sense to try to use the State money to try to bring the defined benefits to a
14 competitive level and then at that point consider going to the shared plan. Mr. Heinrichs stated he
15 concurred with Mr. Dehner on that issue. He said one other thing with regards to DROP talking about
16 risk; as of October 1, 2008 it looks like there were four people eligible to go into the DROP out of
17 seventy-four members so from a risk standpoint if you are talking about losses due to the guarantee versus
18 what you could get over the short term he did not think we were talking about huge dollars. The Chairman
19 stated what he was hearing is that Ms. Miller wanted to get with her staff and Ms. Spriggs has been made
20 available as the conduit to the Board and he hoped they would communicate. He stated on behalf of the
21 Board as they are in agreement that if any of the Board's financial professionals are needed to assist them
22 and provide any information we are happy to oblige; all he asked is that this be done as quickly and
23 expeditiously as possible so that those members that need to make financial decisions regarding the way
24 the DROP currently is can make those decisions with good information. He asked that Item 7A be
25 continued on the next agenda to see if any progress has been made.
26

27 **8. NEW BUSINESS**
28

29 **A. Principal Financial Group Presentation:**
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31 Mr. Gizzi gave a summary report in the absence of Beverly Farnell of the Principal Financial Group. He
32 stated he will not do the Principal presentation but will summarize their report as he had been directed. He
33 stated that the last six weeks had been positive with the S&P 500 Index gaining 26% which does give us a
34 little hope. He gave a summary of the report for the quarter ending March 31, 2009 stating the total return
35 was minus 23.55% which is up from February. He pointed out the changes to the fixed income fund
36 noting the Pimco Fund has been added since February and in March it captured some positive returns. He
37 stated he was looking forward to the second quarter returns. He stated a couple additions to the portfolio
38 were the AXA Rosenberg and the Causeway Capital Management making the plan a little more
39 diversified in international stocks while the Preferred Securities Separate Account was removed. He
40 stated he thought Mr. West would cover how much of the first quarter market was actually captured by
41 Principal.
42

43 Mr. Dehner asked Mr. Gizzi if he was familiar with the proposed contract amendment that was sent
44 December 12, 2008 which Ms. Spriggs provided to him today. He stated he had asked Ms. Spriggs to
45 provide copies to Mr. West and the Trustees dealing with the addition of different investment vehicles
46 and the costs associated with them. Mr. Gizzi stated he had also received a copy today but had not had a
47 chance to review it. Mr. Dehner stated the Board needed to review the new contract amendments with
48 Principal Financial Group and it should be placed on the next agenda. The Chairman asked Mr. Dehner if
49 he meant the next meeting or the next quarterly meeting. Mr. Dehner stated the next quarterly meeting
50 unless Mr. West feels in his opinion it should be acted upon sooner. The Chairman asked that Principal's
51 contract amendments be placed on the May meeting agenda for review and discussion.

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2 **B. The Bogdahn Group:**
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4 Mr. West made a couple of follow-up points for perspective with regard to the overall structure of the
5 program stating his comments were independent of Principal or the actual manager in place. He gave a
6 summary report and stated it is important to readdress investments but they should be structured for the
7 long term view point; the investments are being structured accordingly and while we are all aware that the
8 estate actuary required the Board to declare the expected rate of return for the next year all the
9 assumptions and inputs that are being done to go into the plan design are looking at taking a longer term
10 perspective. He stated unfortunately for the period ending March 30, 2009 it was another ugly quarter
11 however the thirty year annualized rate of return on equities is above 10%; the thirty year annualized rate
12 of return on fixed income securities is also around 8% and again is still consistent with longer return
13 assumptions. He stated we are in the negative side of a cycle looking at the data over a two hundred year
14 time and finding that there was only two times that the annualized rate of return for equities was negative;
15 1938 at a negative .9% and now negative 1.4%. He stated the reason he pointed this out is because it is
16 important to not be making any rash decisions during a period of extreme and pointed out that subsequent
17 years or decades that follow these periods of extreme happen to experience very high returns. He said a
18 second quick point is that the recovery from the bottom is very significant and it is very important to stay
19 with the current program for the long term. He stated in the short term we finally had a good quarter and
20 saved approximately .74%. He stated indications are that we will be reporting better returns in the current
21 quarter.
22

23 **C. 2008 Actuarial Evaluation:**
24

25 Ms. Spriggs stated the new evaluation which was prepared by Actuarial Concepts dated March 2008
26 through March 2009 is included in the notebook and based on the required contribution rate from last year
27 to this year the required contribution rate as of October 2008 was 22.63% and the new contribution rate is
28 27.43% with the members continuing to contribute their 8% required under the plan. She stated the
29 estimation for the use of Chapter 175 premium tax money is at about 3.3% so the net is required to be
30 contributed by the City at a rate of 16.08%. Ms. Spriggs asked Mr. Heinrichs to go over some highlights
31 in the evaluation. Mr. Heinrichs began by stating the City's contribution rate going up by a handful of
32 percent of payroll is not abnormal and on average other clients are seeing about 5-6% increase on average
33 due to the poor investment returns of 2008; the City being on the lower side. He stated that beginning in
34 2009 the State has changed the way they want these plans to be funded; in the past the city contributed a
35 specified dollar amount and now the State is more interested in the percentage that goes into the fund. He
36 stated looking at the report on Page 2.3 #5 it shows a specified dollar amount of \$731,482 for the year that
37 begins October 1, 2009 and ending September 30, 2010 whereas due to the change in reporting it now is a
38 percentage and the percentage shown as 16.08% is actually calculated in a way that he believes the
39 Division of Retirement will not like as it is based upon projected payroll. He stated he would have some
40 concerns the Division would reject this report and actually request a higher percentage; that percentage
41 being 16.57%. He suggested if the City wanted to feel good about getting State money he would
42 contribute at a minimum of 16.57% for next year. He stated one of the things he noted in the report was
43 gains and losses are being amortized over a fifteen year period which creates a little bit of volatility in the
44 contribution requirement, it is also a very conservative way of funding. He stated the fund was actually in
45 good shape and summarized by saying the actuarial value of assets were almost \$9 million with \$8
46 million in market value. He stated one important measure is that with the actuarial present value of all
47 accrued benefits being \$8,570,906 the fund is overfunded on a current accrued basis which is rare
48 compared to other funds around the State. He pointed out there is \$475,000 of excess State money that
49 can be used toward benefit improvements and the last thing he wanted to mention is something he had not
50 seen in other plans in the state and that had to do with smoothing the gains and losses over five years;
51 when you do that you create a fictitious value of the actuarial value of the assets which is different than

1 the market value. He stated this actuary decided to limit the actuarial value of assets to a corridor of 10%
2 above market value, the law says 20%; so, what he did was say the market value was \$8.1 million, the
3 actuarial value of assets was \$9 million but he limited it to only be 10% higher than the market value
4 which increased the funding requirements driving up the City's immediate costs. He stated he was telling
5 the Board that for a reason to make sure the Board had made that conscious decision and to let them know
6 what the law says they can do so they know what their options are. He stated the Board could increase
7 that corridor to 20% and that would cut costs immediately for the City. He stated regarding smoothing the
8 gains and losses over a fifteen year period which he spoke about earlier; he wanted to make sure the
9 Board made that conscious decision also; the law says thirty. He stated for example when you have \$2
10 million in losses over the past year, the City is funding that loss over a fifteen year period versus thirty;
11 however, the total out of pocket dollars for the City is less over a fifteen year period than it would be over
12 thirty due to interest. The Chairman asked if that could fluctuate from evaluation to evaluation whether it
13 is fifteen or thirty. Mr. Heinrichs stated you could but you don't really want to, for instance the actuaries
14 for the Division of Retirement who review the reports might wonder if you are gaming the system or is
15 this a legitimate cost. He stated if you did that in reverse they probably wouldn't have a problem but you
16 really want to maintain a good practice. The Chairman asked Mr. Heinrichs to recommend a number
17 somewhere in the middle of ten years and thirty years. Mr. Heinrichs stated the lowest he would
18 recommend was ten years, thirty is the industry standard; most clients have thirty with some moving to a
19 shorter time period.

20
21 Mr. Gizzi asked Mr. Heinrichs if he would have to do an entire study to see the immediate funding impact
22 as it concerns the City with regards to the contribution and how it transfers over to percentage. Mr.
23 Heinrichs said he would have to run the numbers but he felt they would save meaning defer to a later time
24 more than a couple percent of payroll. He stated the corridor change could possibly save the same sort of
25 numbers; both of those changes could have an immediate reduction in the City's costs. He stated you may
26 be able to give the enhancements and the City get a reduction in its costs; it could be a good situation for
27 both parties. He stated the plan was in as good of shape as it is because of being on a conservative basis
28 and deferring costs can alleviate some of the short term pain but doesn't make anything go away. The
29 Chairman asked if the market rebound could help pay for that in that instance. Mr. Heinrichs stated
30 absolutely it would. The Chairman asked where we stand with the actuarial review that has already been
31 paid for in terms of what has been discussed today; do we have time for Foster & Foster to do a complete
32 review and would it have to be a complete review. Mr. Heinrichs stated it would not have to be an entire
33 review; some of the report could be reused and the numbers would have to be re-measured if changes are
34 made. He stated that it would come at a substantial cost though. The Chairman asked when the report
35 would need to be done. Mr. Dehner said this report has not been approved yet and there is time for a new
36 report; he said essentially amendments to the report can be made or you could just incorporate Mr.
37 Heinrichs' recommended changes into the October 2009 report but if you did that you wouldn't find some
38 of the funding benefits mentioned today. He stated if you wanted to do that you would have to have a new
39 report or amend the existing report. Mr. Clinger asked Mr. Heinrichs about the future costs if you
40 extended out over a longer period; could the City alleviate that cost or reduce the future costs if two or
41 three years from now we were back in good economic times and we elected to make larger than required
42 contributions. Mr. Heinrichs answered yes but his objective today was to give the Board all their options
43 and have staff listen in and possibly see where the sponsor and the Board can agree so the members can
44 receive the benefit improvements they are looking for and the City can get the cost savings (cash flow)
45 they are looking for. Mr. Gizzi stated that redoing the report would be an added expense and under the
46 circumstances if all the issues have been addressed to this point and if this is being done only to move the
47 ordinance forward he suggested waiting and letting the actuarial study next year be picked up on with less
48 conservative numbers being used in the assumptions without incurring any other expenses. Mr. Dehner
49 stated that was one of the alternatives he had suggested; the report being adopted as it is and Mr.
50 Heinrichs' recommended changes being incorporated for the first time into the October 2009 evaluation.
51 The Chairman stated he would not be inclined to accept any of Mr. Tierney's report; he said he would

1 prefer a totally clean report and asked Mr. Heinrichs the cost for a new report. Mr. Heinrichs answered
2 probably about \$7,000.00. The Chairman asked Ms. Miller if the City would consider splitting the cost if
3 it would benefit the City as well. Ms. Miller stated it probably would not be an issue. Mr. Gizzi stated he
4 was still hesitant to spend \$7,000.00 in the down market to create a study for the limited potential of the
5 DROP only to save about \$800.00. He stated he was in favor of amending the report. The Chairman asked
6 Mr. Heinrichs what the potential savings could be to the budget. Mr. Heinrichs answered a few percent of
7 payroll; by going to the 20% corridor and if you amortize over a longer period of time you could save
8 over \$100,000 immediately. The Chairman stated if the Board splits the cost for the actuary with the City
9 and spends about \$3,500 to save \$100,000 that would be the responsible thing to do on both parties' part
10 regardless whether the City agrees to come to the table on the DROP. Mr. Clinger stated he liked the idea
11 and felt this was a win win situation for both parties.

12
13 The Chairman asked for a motion to authorize Foster & Foster to prepare a complete new October 1, 2008
14 to fiscal year end September 30, 2009 actuarial evaluation with the cost being split with the City. Ms.
15 Miller asked when they would receive the new numbers. Mr. Heinrichs stated this would not change this
16 year but would change the numbers for fiscal year 2009-2010. Mr. Clinger stated that was what he was
17 looking for, 2009-2010.

18
19 **Motion was made to authorize Foster & Foster to prepare a complete new October 1, 2008 to fiscal**
20 **year end September 30, 2009 actuarial evaluation with the cost being split with the City by Mr.**
21 **Koczan, seconded by Mr. Deyette.**

22
23 Mr. Clinger asked about how long this would take in terms of the City's budget process. Mr. Heinrichs
24 stated he could possibly have the new report completed sometime in June maybe July. The Chairman
25 asked if the Board had any recourse with Mr. Tierney for taking those liberties with the way he calculated
26 the numbers in his report or to at least turn over some of the information to Foster & Foster that may
27 expedite the process. Mr. Dehner stated probably not because when the Board approved the reports, you
28 approved his methodology and assumptions.

29
30 The Chairman stated there was a motion and a second on floor and asked if there was any further
31 discussion. Mr. Heinrichs asked the Board what they would like the amortization period to be; its 15 years
32 now and can go to 30. He stated that would determine how much the contribution would go down. The
33 Chairman suggested 25 but asked Ms. Spriggs her opinion. Ms. Spriggs stated she did not have a problem
34 with increasing the amortization period because of the economic times as long as it is revisited. She said
35 she feels the plan is where it is contribution wise because the plan always took a conservative approach.
36 We dropped the last few years below the 15% contribution mark and it has had a toll on where the
37 contributions are now so, I think it has to be based on we are doing this because of economic times. The
38 Chairman summarized for Ms. Miller and Mr. Clinger what Ms. Spriggs stated by saying that in using the
39 amortization of 25 years because of economic times it should be understood that when the economic
40 times improve the methodology would change back to the old method. The Chairman asked Mr.
41 Heinrichs to make a note to revisit this as we approach each year reassess how we should calculate this.
42 The Chairman asked if everyone agreed on the 25 year amortization. Mr. Koczan asked Mr. Heinrichs his
43 opinion to get the maximum savings. Mr. Heinrichs stated the maximum 30 years but did not feel the City
44 would be disappointed with the savings at 25 years and increasing the corridor to 20 %. The Chairman
45 asked Mr. Heinrichs if he could show them the savings at 25 years and at 30 years separately. Mr.
46 Heinrichs stated he could show them both and the Board could decide. The Chairman clarified that Mr.
47 Heinrichs would use 25 years but also show the Board the difference using the 30 years. There being no
48 further discussion, the Chairman asked for a roll call vote.

49
50 **The members voted as follows:**

51

1 **Chris Nabicht** YES
2 **Earl "Mac" Deyette** YES
3 **John Adams** Not present
4 **James Koczan** YES
5 **Kurt Vroman** YES
6

7 **Motion carried.**
8

9 **D. Investment Strategy Discussion: Tabled**
10
11

12 **9. ATTORNEY'S REPORT:**
13

14 **A. Disability Claim:**
15

16 Mr. Dehner stated there had been a claim filed by Ronald Degaetani with a disability claim being received
17 on March 25th and on that same day interrogatories, medical release forms and all documents needed to
18 start the process were sent back out to Mr. Degaetani. He said at this point he was just waiting for Mr.
19 Degaetani's answers. He said once the paperwork is received from Mr. Degaetani the next step in the
20 procedure will be that we will send medical requests directly to the medical providers Mr. Degaetani has
21 identified and send a request to the City to provide personnel records including if there is any workers
22 compensation. He said once all the documents are accumulated an independent medical examination will
23 be scheduled to be performed and once that report is back typically that is when the board would have its
24 first meeting to have a discussion of what we have at that point including the opinion of the medical
25 examiner. Mr. Vroman asked the time frame. Mr. Dehner stated according to the rules we are in the initial
26 hearing stage designed to be an informal collection of the records, and then get together under a
27 discussion format not testimony under oath or anything. He stated we will at that point just be looking at
28 the documents, getting input from the claimant, claimant's attorney if he has one and then determine if
29 there is enough evidence in order to award the benefit that is being requested or if not we will identify
30 what is not there but needed; from there we would take a position or ask the claimant to provide
31 additional evidence. He stated the initial time frame of the initial hearing procedure is usually about
32 ninety days and the Board has the ability to extend an additional ninety days; more often than not we find
33 we have to extend the initial ninety days just to complete the process. He stated his office always works to
34 expedite the process as much as possible.
35

36 Mr. Dehner stated with regards to Principal's proposed amendments to their contract he will contact Mr.
37 West and Mr. Gizzi to discuss. He gave an update on HB 171 and SB 532 saying it did not appear they
38 would make the floor again this year with a week left in the session; the senate version was amended in
39 committee to provide an amendment that would require the next two years worth of excess State moneys
40 be utilized to reduce city funding. He stated primarily what it would have done would be to allow the plan
41 to go to 25% foreign securities, enable us to consider four year trustee terms rather than two and enable us
42 to transfer money directly from the pension plan to an insurance company to enable retirees who have
43 insurance or long term health care apart from the City to be able to take advantage of that \$3,000 federal
44 tax exclusion; there is also a federal bill pending that would accomplish this same provision. He stated
45 also Rule 60T, Charles Slaven's proposed amendments to the administrative code dealing with actuarial
46 standards and practice and guidelines is on the back burner since Mr. Slaven's retirement. He stated he
47 thinks we will see a different environment that began with the workshop last July and continuing with the
48 the workshop in November which is good news. He stated the bottom line was everyone was opposed to
49 those proposed amendments as they would have increased funding costs and administrative expenses. He
50 stated he was drafting into our plan the federal compliance amendments based on the pension protection
51 act changes and internal revenue code and once they are integrated into our ordinance they will be

1 adopted by the City; these are compliance requirements and will not be controversial. He stated from
2 there we will decide if we want to file with the IRS for favorable determination letter to be issued; he
3 stated in the past thirty years this had been done very rarely by public sector plans because the IRS had
4 not been looking at public sector plans however, that has now changed. He stated the IRS has sent out 200
5 surveys to plans around the country and noted that one of the smaller plans he represents received one. He
6 stated that also he is discussing with the service whether he can do a group filing on behalf of all of our
7 plans since we represent so many plans which would obviously end up saving money for all the Boards.
8 He reminded everyone if they had not already filed their financial disclosure Form 1; they are due by July
9 1st. The Chairman asked Ms. Spriggs to bring the forms to the May Meeting. He said there was one other
10 issue that he and Ms. Spriggs had been discussing via email with regards to whether pension benefits are
11 subject to collective bargaining. He stated the City Attorney had written in his opinion that they are which
12 is correct by constitution in Florida as a condition of employment; pension is subject to collective
13 bargaining but that does not mean it has to go to the table; you could improve the plan through your
14 recommendation if the bargaining parties wave bargaining and in that case the labor attorney would
15 advise to get a signoff by the union and an agreement by the City.

16
17 **B. Other Matters: None**
18

19 **10. PLAN ADMINISTRATION REPORT:**
20

21 **A. Distribution of Document Notebook:**
22

23 Ms. Spriggs stated the book that was handed out should contain all the documents that pertain to the
24 Board and they will be updated as documents are received or updated.
25

26 **B. Other Matters:**
27

28 Ms. Spriggs stated she did not have any other matters to discuss at this time. Mr. Vroman stated he had a
29 question regarding an employee leaving employment with the City and his request for his pension money.
30 Ms. Spriggs said this is done automatically. She stated that once it goes through the HR process the
31 Finance Department will notify her and a package will be sent out with the forms; once the forms are
32 completed it happens pretty quickly; it has to happen after their last paycheck though. She stated she
33 would follow-up on it as she had not received any word as of yet.
34

35 **11. BOARD MEMBER COMMENTS:**
36

37 Mr. Koczan welcomed Mr. Heinrichs and stated it was refreshing to get educated and appreciated him
38 answering questions the members also commenting Mr. Heinrichs had appeared to be well prepared. He
39 thanked the City staff for their attendance and stated he had been a little worried about there being a
40 spirited discussion but it was very nice to see everyone working together. He stated he was looking
41 forward to the new order of things that are being implemented and the rest of this year.
42

43 Mr. Deyette commented that the Board did not want to be adversarial to the City as we are both trying to
44 do our jobs and it is nice to see the City Manager and one of the Commissioners at the meeting. Hw
45 welcomed Mr. Heinrichs and stated he was glad to see representation from the fire department.
46

47 The Chairman stated in closing that in the interview Mr. Heinrichs had said he saw some ways and would
48 bring them forward where some expenses could be trimmed which caught his ear and that was one of the
49 reasons he had looked at Foster & Foster to be the plan actuary. He stated that today Mr. Heinrichs had
50 proven that the decision by the Board to contract with Foster & Foster to complete the team was a good
51 one. He stated he felt we would get through this downturn in the market working hand in hand with the

1 City to get the members the benefits they deserve and in a timely fashion using the State dollars. He stated
2 this had been one of the most productive Board meetings that he could remember having in a long time.

3
4 Mr. Dehner commented he agreed a lot had been accomplished.

5
6 Mr. Gizzi commented it was good to have an actuary who was easy to understand and that Principal held
7 up to the scrutiny of Mr. West even though it was just one quarter. He commented that the meeting was
8 great.

9
10 Mr. West commented he was glad to see the Board being proactive and for keeping communications
11 open; it makes good things happen for all parties.

12
13 **12. CONFIRMATION OF THE NEXT MEETING DATE, TIME AND LOCATION:**

14
15 The next meeting date will be Tuesday, May 19, 2009 at 5:00 P.M. in the 2nd Floor Conference Room.

16
17 The Chairman commented that the Board may conference in Mr. Dehner at the next meeting so the Board
18 can get an idea what they want to do with Principal. He asked Mr. Gizzi to contact Principal and let them
19 know the Board will be dealing with the contract at the next meeting.

20
21 Mr. Heinrichs asked the Board when they would like for him to attend; as requested, all the time or stay
22 away until the Board calls. The Chairman stated he would prefer Mr. Heinrichs attend the quarterly
23 meetings unless he felt he needed to attend more often. He stated in these financial times he felt the whole
24 advisory team should attend at least quarterly and certainly if any issues come up he will have Ms.
25 Spriggs contact Mr. Heinrichs with as much notice as possible even if we have to conference him in. The
26 Chairman asked if everyone was ok with quarterly. The Board concurred.

27
28 **13. ADJOURNMENT:**

29
30 There being no further business, the meeting adjourned at 5:26 p.m.

31
32 **Motion was made by Mr. Vroman, seconded by Mr. Koczan to adjourn the meeting. Motion**
33 **carried with members voting unanimously.**

34
35 Approved this 16th day of June, 2009.

36
37
38 _____
Chris Nabicht, Chairman

39 **ATTEST:**

40
41
42 _____
43 **Janet Day, Admin. Assistant II**